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SUBJECT: HUNGARY'S ELECTIONS: ROUND TWO SCENESETTER  
(C-RE6-00145)

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Classified By: DCM Philip T. Reeker. Reasons 1.4 (b) and (d).

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Summary  
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¶1. (U) On Sunday, April 23, Hungary will conduct round two of its 2006 national elections. This cable reviews the electoral math and the U.S. interests involved. Following a strong performance in round one, the governing coalition parties MSZP and SZDSZ appear poised to carry the day, although an opposition (FIDESZ) victory is technically possible. Whatever the outcome, the USG will be able to work constructively with the party or parties that come to power. Post will report round two results septel.

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Mechanics  
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¶2. (U) Hungary's electoral system assigns mandates as individual constituencies, party-list seats and national-list seats: In round one on April 9, only those individual-constituency races where one candidate won an outright majority were decisive. That happened in 66 of the 176 individual-constituency contests. In the remaining 110 individual-constituency races, round one's top vote-getters will face off this Sunday. In round two's races, the candidate winning a plurality will take the seat. In order for a given district race to be valid, there must be a minimum 25 percent turnout, and turnout is widely expected to exceed 25 percent in every district, as it did in the 2002 elections.

¶3. (U) It is technically possible --but unlikely, as independent computer-modeling analyses confirm-- that the chief opposition party FIDESZ will win enough seats in the second round to form the next government. Of the 110 races at stake in round two, the governing MSZP led in 61 and FIDESZ in 48 at the end of round one. (In one district, a local, county-based party is in the lead.) The governing coalition parties MSZP and SZDSZ made immediate, post-round-one efforts to cement their lead over FIDESZ: under an April 11 agreement, MSZP withdrew its candidates in favor of SZDSZ in three of the 61 districts where it leads, while SZDSZ threw its support to MSZP in 55. (The agreement does not extend to the remaining three of the sixty-one races.)

¶4. (SBU) Following round one, FIDESZ President Viktor Orban announced that his party would attempt to capture 75 of the 110 seats still up for grabs in the second round. In fact, according to the FIDESZ-friendly Szazadveg Foundation, the party would need to win 81 of the 110 second-round contests

in order to govern alone, and 66 seats in order to govern in tandem with the junior opposition party MDF. In addition to the apparent MSZP-SZDSZ lead in individual mandate races discussed above, the lack of a FIDESZ-MDF cooperation agreement will make winning even 66 seats an unlikely proposition. In addition, while it is true that several individual MDF candidates have either withdrawn from their races or openly thrown their support to FIDESZ, it is not clear that MDF voters would cast their ballots for FIDESZ, even if asked to do so by the withdrawing MDF candidate. (As of April 20, twenty-one MDF candidates were planning to remain in the race, 15 were withdrawing and 11 had not yet made up their minds.)

¶5. (U) Even after the conclusion of round two, it will still be some weeks before the next government is formed. President Solyom is not likely to invite any party to form a government until after all absentee ballots are counted and the final, certified results are announced on Saturday, April 29.

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USG Interests  
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¶6. (C) On the whole, USG interests are probably best served by a continuation of the current coalition. In many ways, Hungary is a success story and the Socialist-led government has been a supportive partner of the U.S. It has deployed troops to both Iraq and Afghanistan, and seems poised to field a Provincial Reconstruction Team in Afghanistan should it remain in power. The GOH has cooperated actively in U.S.-led efforts to combat international terrorism and organized crime through intelligence sharing and law

BUDAPEST 00000825 002 OF 002

enforcement cooperation. There is sizable U.S. investment in the Hungary, and the country's continued, healthy growth rate and good location make it likely that U.S. participation in the Hungarian market will only continue to grow.

¶7. (C) While Hungary has not realized earlier hopes that it would act as the key stabilizing force in the Balkans, it has largely refrained in recent months from inflammatory rhetoric about the treatment of ethnic Hungarians in Serbia. Under the rubric of the EU's Neighborhood Policy and as a member of the Visegrad Group, the GOH has worked in a low-key but constructive manner in Ukraine, and recently has shown signs that it is willing to be more active in Belarus. Its relations with Russia are keyed to energy, and it can be expected that a MSZP-SZDSZ government will do little that would jeopardize the hard-won good relations it has developed with Moscow. Having SZDSZ in the coalition should ensure that strong transatlantic ties remain central to the new GOH's foreign policy thinking.

¶8. (C) Should it be returned to power on April 23, the MSZP will likely concentrate on its domestic agenda, where accomplishments to date have been modest. MSZP and Gyurcsany, goaded on in some respects by SZDSZ, have indicated a willingness to take on such mega-projects as local government reform --effectively, a diminution of the party's political base in the provinces-- in service of the larger goal of righting the country's finances. The task of debt reduction, however, can be expected to limit Hungary's scope for action, and may further reinforce the GOH's tendency to defer to Brussels foreign policy issues of interest to the U.S.

¶9. (C) Although FIDESZ was at the helm when Hungary joined NATO, today it would likely be a more difficult partner -- especially without the moderating influence of former coalition partner MDF. In the course of this campaign, FIDESZ's populist rants have drowned out its earlier conservatism. Still, FIDESZ decisionmakers have told Embassy that a FIDESZ government would continue to attach a high value to the bilateral relationship with the U.S., even while

adopting a more assertive stance when defending perceived Hungarian interests. FIDESZ interlocutors have said as well that they would work to restore funding to the military and support the PRT mission first proposed by the MSZP-SZDSZ government. The FIDESZ picture on commercial issues is more cloudy. FIDESZ President Viktor Orban has called past privatizations into question, and repeatedly pledged to protect domestic business against the encroachments of foreign capital. The party justified its December 2004 decision to withhold support for mandate extension for Hungary's OIF troops by claiming widespread popular opposition here to the U.S. presence in Iraq. The Orban-era decision to buy Gripen fighter jets, a purchase with limited utility for Hungary's ties to the EU and none for its ties to NATO, serves as an unsettling reminder of the party's capacity to surprise. Even if the party's nativist forces were ultimately neutralized, the FIDESZ campaign has made extravagant pledges for domestic programs, and it is unlikely that the party would be able to finance them while maintaining the country's international commitments.

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Comment  
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¶10. (C) The USG will find common ground with whichever party or parties come to power with the April 23 elections. Embassy has observed a strict neutrality during the campaign, reaching out to all parties and engaging with contacts across the political spectrum. The omens are auspicious for a return of the current coalition. A less likely scenario is that MSZP will win an outright majority. FIDESZ does not appear at this juncture strong enough to win a majority, either with or without support from the MDF. Embassy will report the results of round two septel.

¶11. (U) Visit Embassy Budapest's classified website:  
[www.state.sgov.gov/p/eur/budapest/index.cfm](http://www.state.sgov.gov/p/eur/budapest/index.cfm)  
WALKER